

EXHIBIT 21

From: Rick Gates [mailto:rgates@pericleslp.com]
Sent: Thursday, November 06, 2008 4:20 PM
To: Brad Jackson
Subject: Fwd:

Here you go.

Begin forwarded message:

From: "Rick Gates" <rgates@pericleslp.com>
To: "Rick Gates" <rgates@pericleslp.com>

ESCROW AGREEMENT

THIS ESCROW AGREEMENT ("AGREEMENT") made and entered into this 6th day of November, 2008, by and between DF Finance Limited, its successors or assigns (hereinafter referred to as "Investor"); and FIRST AMERICAN TITLE INSURANCE COMPANY (hereinafter referred to as "Escrow Agent");

WITNESSETH

WHEREAS, Calister Investments LLC (the "Fund") and Investor are negotiating the terms of their mutual involvement in a real estate development project located in between 56th and 57th Streets and Park Avenue and on 57th Street, New York, New York, commonly known as the Drake Hotel Site (collectively, the "Property"), and more particularly described on Exhibit "A" attached hereto and made a part hereof (hereinafter referred to as the "Property"); and

WHEREAS, the Fund is presently negotiating with the owner of the Property for the sale of the Property to the Fund on terms and conditions acceptable to the Fund; and

WHEREAS, as a demonstration of its commitment to the project Investor has deposited with Escrow Agent the sum of Twenty-Five Million and 00/100 (\$25,000,000.00) Dollars said sum together with any interest earned thereon hereinafter referred to as the "Deposit"; and

WHEREAS, Investor desires to have Escrow Agent hold the Deposit in escrow for one hundred twenty (120) days or until Investor instructs otherwise;

NOW, THEREFORE, in consideration of the premises and of good and valuable consideration the receipt and sufficiency whereof is hereby acknowledged, the parties hereto hereby covenant and agree as follows:

1. Investor hereby appoints First American Title Insurance Company as Escrow Agent hereunder.
2. Investor has delivered and deposited with Escrow Agent the amount of Twenty-Five Million (\$25,000,000.00) Dollars in the form of cash funds by wire transfer representing Deposit. Escrow Agent agrees, upon receipt of a completed W9, to deposit said funds in an interest bearing account and to hold and disburse said funds, and any interest earned thereon, as hereinafter provided.
3. Upon written notification from Investor that the contemplated investment is to be consummated, Escrow Agent shall, at Investor's sole option, apply the Deposit towards the purchase price or refund the Deposit plus accrued interest, if any, in accordance with written instructions from Investor.
4. Upon written notification from Investor that the contemplated investment shall not take place, Escrow Agent shall disburse the Deposit plus accrued interest, if any, in accordance with written instructions from the Investor.
5. The Parties hereto covenant and agree that in performing any of its duties under this Agreement, Escrow Agent shall not be liable for any loss, costs or damage which it may incur as a result of serving as Escrow Agent hereunder, except for any loss, costs or damage arising out of its willful default or gross negligence.

Accordingly, Escrow Agent shall not incur any liability with respect to (i) any action taken or omitted to be taken in good faith upon advice of its counsel given with respect to any questions relating to its duties and



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responsibilities, or (ii) to any action taken or omitted to be taken in reliance upon any document, including any written notice of instruction provided for in the Escrow Agreement, not only as to its due execution and Escrow Agreement the validity and effectiveness of its provisions, but also to the truth and accuracy of any information contained therein, which Escrow Agent shall in good faith believe to be genuine, to have been signed or presented by a proper person or persons and to conform with the provisions of this Escrow Agreement.

Investor hereby agrees to indemnify and hold harmless Escrow Agent against any and all losses, claims, damages, liabilities and expenses, including without limitation, reasonable costs of investigation and attorneys' fees and disbursements which may be imposed upon or incurred by Escrow Agent in connection with its serving as Escrow Agent hereunder, except for any loss, costs or damage arising out of its willful default or gross negligence.

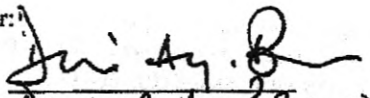
IN WITNESS WHEREOF, the undersigned have caused this instrument to be duly executed and its seal to be affixed thereto as of the day and year first above written.

Investor:

By:

Name:

Title:


DAVID A. H. BROWN
Escrow Agent

FIRST AMERICAN TITLE INSURANCE COMPANY

Rev.

EXHIBIT 22

KALLISTA INVESTMENTS LLC
c/o The Dynamic Group
1501 Broadway - 25th Floor
New York, NY 10036

January 21, 2009

iStar Financial, Inc.
Attention: Mr. Dan Abrams
1114 Avenue of the Americas
39th Floor
New York, NY 10036

RE: Sale of the Senior A-1 and A-2 Notes (the "Senior Notes")
secured by the Drake Hotel Site

Dear Mr. Abrams:

This letter shall serve as a formal offer on behalf of Kallista Investments LLC, a Delaware limited liability company controlled by Arthur Cohen, Brad Zackson and Paul Manafort ("Kallista") to purchase the referenced Senior Notes.

Kallista is pleased to present a firm, non-contingent, offer to acquire the Senior Notes. We believe this offer, as structured, offers iStar Financial, Inc. ("iStar") and its third party co-holders of the Senior Notes an enhanced opportunity to maximize economic return on this Project while assuring substantial liquidity as to the Senior Notes. The terms for the offer are as follows:

(i) Note Acquisition/
iStar Obligations:

The capital stack of the entire mortgage is approximately \$483,000,000.00. The aggregate senior tranche A-1 and A-2 Notes [iStar participation plus DB (\$10,612,541.00) and Sorin Master Fund (\$54,029,718.00), having an outstanding principal balance of approximately \$290,000,000.00].

To frame and effectuate the transaction, iStar agrees to cause all holders of the Senior Notes to participate in the sale, and shall arrange for an allocation of the purchase price on such terms and conditions as may be necessary to permit iStar to deliver the Senior Notes.

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- (ii) **Purchase Price:** \$290,000,000.00, payable in full at Closing as hereinafter described, with credit to Kallista for the Deposit amount which will be applied at Closing.
- (iii) **Deposit:** \$25,000,000.00, to be deposited with a title company depository and maintained in an interest bearing account, such deposit to be funded within three (3) business days after the parties have concluded and executed a mutually agreeable formal Agreement of Purchase and Sale as to the Senior Notes. The Deposit, subsequent to initial funding, will be available to be drawn upon by Kallista for payments reasonably required to facilitate the affirmative and timely conclusion of the foreclosure proceedings against the Drake Hotel Site and the downpayments or purchase price allocations for the acquisition of other parcels, air rights or sites independent of the Drake Hotel Site but required for suitable access and perfection of required frontage on 57th Street. Such sites are integral to the most favorable economic development of the Drake Site. It is anticipated that funds so drawn from the Deposit will be repaid and applied to the cash portion of the purchase price hereunder, likely in a simultaneous closing as to the Senior Notes and as to all the related sites
- (iv) **Closing Date:** Sixty (60) days after the foreclosure sale, and contemporaneously with the acquisition by Kallista of the 4 properties noted on Schedule A hereto, which are integral to the control of frontage and access along 57th street and completion of the footplate of the planned development of the site. The acquisition of such properties as noted shall be a concurrent condition to the closing on the Senior Notes. It is anticipated that the foreclosure process, as expedited by Kallista, will be concluded in six (6) to nine (9) months.
- (v) **Payment of Purchase Price:** \$200,000,000.00 in cash at Closing, inclusive of application of the Deposit and interest earned thereon between funding of the Deposit and the Closing Date, with the balance paid by iStar

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receiving a \$90,000,000.00 subordinate equity position equaling ten (10%) percent of the outstanding membership interests in the purchasing entity to be formed by Kallista (the salient terms of which equity position shall be as noted below and otherwise upon such terms and provisions as are agreed upon by iStar and Kallista and concluded prior to closing).

(vi) Equity:

As to the portion of the purchase price reserved to the subordinated equity position, it is contemplated that iStar and its co-holders will hold their proportionate shares of this equity in a single purpose entity to be formed by them for such purpose. Upon the realization of cash flow for the acquired project or from the Notes or from any source, the priorities for distribution among the equity participants are agreed to be (i) application to an assured specified rate of return to Kallista on a cumulative basis, (ii) payment of any specified and particularized development fees, management fees, construction management fees and the like to the parties entitled to receive same, (iii) payment of a preferred return of five (5%) percent per annum on the equity investment of iStar, such return to be accrued, and deferred in the absence of sufficient cash flow for current funding, and also to be payable on a cumulative basis, (iv) full return of capital to Kallista, (v) return of up to \$90 million in equity investment to iStar and its co-participants, (vi) thereafter on a pari passu basis among Kallista and iStar in proportion to the respective membership interests of each.

(vii) Special Distribution at Foreclosure Sale:

In the event of a full realization of the proceeds of the Notes (as purchased hereby) at the foreclosure sale of the Drake Site, and in recognition of the facilitation of that foreclosure by Kallista as hereinafter set forth, then Kallista and iStar shall share equally (50% each) in the return of such proceeds in excess of the sum of \$200 million.

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SPECIAL TRANSACTIONAL FEATURES

There are a number of facets of this transaction and as to the current positioning of Kallista relative to the Drake Hotel Site which, we submit, add a momentum to the Kallista offer that generates a significant economic upside for iStar and its co-participants over competing offers.

- Kallista includes among its principals a renowned and deeply experienced real estate developer and entrepreneur in Arthur Cohen, a sophisticated and notable developer in Brad Zackson, and an international capital contact and venture capitalist in Paul Manafort who brings a host of international financial contacts including significant institutional funding sources to the Kallista group. This is a compelling array of human resources and is enhanced further by the presence in the group of Frank Orenstein, a well known hotel marketing and management consultant and principal whose particular expertise is in the placement and facilitation of luxury brand high end hotel operations.
- Kallista has already engaged in serious negotiations for possible acquisition of the fee interest in this site with the current fee owner and has developed a strong and positive relationship with that fee owner which affords to Kallista the opportunity to facilitate the foreclosure proceedings on the Drake Hotel Site and to acquire critical other components of the floorplate of the entire prospective development. In this regard, Kallista has also invested \$500,000 in due diligence expenses on review of the site. It has developed a spectacular multi-use property design which may be built as of right on the site, improving the property with (i) a luxury hotel, (ii) high end retail space, (iii) first class strategically located office space, and (iv) a multi-unit luxury condominium development in the premier Manhattan location serviced by club and concierge services implemented in conjunction with the luxury hotel, and bearing its prestigious brand. This project can be fully permitted for construction and ready to build within a year after property acquisition.
- Kallista has already obtained the commitment of the Bulgari Hotel brand to the Drake Hotel Site, which gives rise to an effective guarantee of \$13 million in annual cash flow to the site from high end hotel operations. In addition, the relationships of the principals of Kallista have led to a high level of interest and a critical review of the site by Newmark Knight Frank Company, a major office brokerage concern with national dimensions, which is very confident that the office element of the multi-use site development footprint already prepared by Kallista can be pre-leased for immediate occupancy upon the completion of the Project. Lastly, but of enormous importance, Kallista has contacted and aligned several single asset credit worthy operating tenants prepared to take over the entire retail space for use

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and operation. This combined potential further enhances the prospects of Project cash flow, and thereby limits downside risk for the site.

As previously noted this project is virtually ready to go, but only as prepared and vetted by Kallista with virtually no start-up time involved. The Project has already been favorably reviewed and vetted by international mezzanine and construction financing sources.

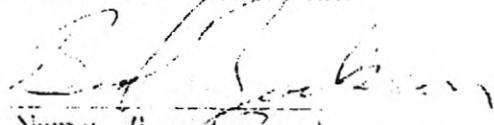
We urge you to consider all these special factors i.e., (i) due diligence and site preparations, (ii) the complete design and development team in place, and (iii) the existing relationship of Kallista with the current property owner, as important and tangible enhancements of the offer before you.

Assuming our offer is accepted, please have counsel for iStar contact Andrew W. Albstein, Esq. of Goldberg Weprin Finkel Goldstein LLP at (212) 301-6970 or by e-mail at albstain.1@gwulaw.com to approve a purchase and sale agreement. We are pleased to place the initial portion of the deposit as soon as such document is executed.

Very truly yours,
KALLISTA INVESTMENTS LLC

By: 

Name: 

Title: 

Kler

SCHEDULE A

Properties:

38 East 57th Street
New York, New York

40 East 57th Street
New York, New York

42 East 57th Street
New York, New York

44 East 57th Street
New York, New York